

## HUNTINGDONSHIRE DISTRICT COUNCIL

**Title/Subject Matter:** Finance Performance Report (Q1)  
**Meeting/Date:** Cabinet – 19 September 2023  
**Executive Portfolio:** Executive Councillor for Finance and Resources  
**Report by:** Director of Finance and Corporate Resources  
**Ward affected:** All

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### **Executive Summary:**

The quarter 1 expenditure forecast takes into account those factors affecting expenditure and income that are known by the end of June 2023.

### **REVENUE FORECAST**

The net revenue budget for 2023/24 totals £24.344m (including carry forwards of £0.231m), the forecast outturn as at the end of quarter 1 is £23.828m. Including a contribution from reserves of £0.044m this gives a forecast underspend of £0.560m.

#### **This is as a result of (Large variations only);**

Increased income – Interest receipts £1.247m, Council Tax and Housing Benefit income £0.103m, Community Team grant funding £0.077m

Reduced income - Commercial Estates £0.152m

Underspends – Facilities Management £0.373m, Development Management and Planning Policy £0.239m, Commercial Estates £0.108m.

Overspends – Housing Benefits subsidy £0.264m, Waste Management staffing £0.103m, Strategic Insight & Delivery £0.146m, One Leisure £0.165m, provision for in-year pay awards £0.750m.

### **CAPITAL FORECAST**

The approved original budget is £29.392m, which included re-phased budget from prior years of £15.898m. At the year end the actual budget rephased was £18.342m, which is £2.444m more rephased than budgeted, and also in addition funded housing grant of £0.744m has been confirmed from DLUHC. The current budget is therefore £32.580m (£29.392m + £2.444m + £0.744m). The forecast outturn is £20.434m as a result of potential re-phasing to 2024/25 (subject to evaluation during the upcoming MTFS process) of £12.146m.

#### **This is as a result of (Large variations only);**

The most significant variations being, Future High Streets £9.4m, Market Town Programme £1.2m, Ramsey Food Hall £0.8m, Rural Prosperity £0.2m, Hinchingsbrooke Country Park £0.9m, Vehicles £0.5m, Housing Company £0.2m, Disabled Facilities Grants £0.1m, Rural Prosperity £0.2m; against overspends on Fareham office enhancements £0.5m and CIL grants £0.7m (funded from CIL reserve), and £0.3m on St Ives Pitch Replacement.

**Recommendation(s):**

It is recommended that:

- Cabinet considers and comments on the revenue financial performance to the end of June 2023, as detailed in Appendix 1 and summarised in paragraph 3.2.
- Cabinet is invited to consider and comment on the capital financial performance at the end of June 2023, as detailed in Appendix 2 and summarised in paragraph 3.3.
- Cabinet is invited to consider and comment on the prudential and treasury management indicators at the end of June 2023, as detailed in Appendix 3.

## PURPOSE OF THE REPORT

1.1 To present details of the Council's projected financial performance for 2023/2024.

- Revenue outturn estimated underspend of £0.560m.
- Capital outturn estimated underspend/rephasing of £12.146m.

## BACKGROUND

2.1 The budget and MTFs for 2023/24 approved in February 2023, assumed a net expenditure budget of £24.113m in addition to this £231k of carry forwards have been added to make a current budget for 2023/24 of £24.344m. A gross capital budget of £29.392m was approved, increased to £32.580m due to additional re-phasing of schemes at the year-end of £2.444m, and funded housing grant of £0.744m not included in the budget.

2.2 The detailed analysis of the Q1 forecast outturn as at 30 June 2023 is attached at Appendix 1 for revenue, and Appendix 2 for capital.

2.3 Prudential indicators and Treasury indicators for Q1 are attached as Appendix 3.

## FINANCIAL PERFORMANCE

3.1 Financial Performance Headlines

The outturn position for the current financial year and the impact of variations will be incorporated within the MTFs.

**Revenue** The current budget is £24.344m, the forecast outturn, (including contribution from reserves of £0.044m), is £23.828m which is an underspend of £0.560m.

**Increased income including;** Interest received £1,247k, Council Tax family annexes grant £61k, Housing Benefit DWP grant income £42k, Community Team grant funding for posts £77k (domestic abuse and asylum seekers work).

**Reductions in income;** Commercial Estates rental income due to higher than expected unit vacancy rates £152k, One Leisure £8k.

**Underspends including;** Facilities Management electricity and gas saving £178k, business rates £128k and vacant posts £52k. Development Management agency staff saving £169k, Planning Policy salary savings £52k and extra income and HACT saving £19k. Commercial Estates vacant posts and part year vacant posts £108k.

**Overspends including;** Housing Benefit subsidy shortfall £306k, Waste Management increased use of agency staff to sickness and leave £103k. Strategic Insight & Delivery salary costs of staff currently delivering programmed work £146k. One Leisure business rates £41k, electricity £45k, £67k supplies and services including extra licence costs, and in-year pay awards of £750k.

**MTFS** The MTFs was updated as part of the 2023/24 Budget setting process and will again be updated as part of the 2024/25 Budget setting process which will commence in August. The revision of the MTFs will include 2022/23 outturn variations and others occurring or foreseen in 2023/24 that have an impact on future years.

**Capital** The approved original budget is £29.392m, which included budgeted rephasings of £15.898m. At the year end the actual budget rephased was £18.342m, which is £2.444m more rephased than budgeted. As a result the current budget including growth from a funded scheme, is £32.580m (£29.392m+£2.444m+£0.744m).

### 3.2 Summary Revenue Variances by Service (Appendix 1 for detail)

The table below shows the total variances for each Service and the main reasons where variances are greater than £50,000.

Head of Service	Budget £'000s	Budget c/fwd £'000s	Current Budget £'000s	Forecast Actual £'000s	Reserve Movements £'000s	Forecast Variance £'000s	Comments
<b>Corporate Resources</b>	8,100	51	8,151	7,339	-	(812)	Under spend relates to utility bills being lower than forecast initially (electricity (£76k) & gas (£102k)), lower business rates at PFH (£128k), salary savings due to the vacant Facilities Manager role (£52k) and increase in interest received (£1,247k)
<b>Chief Operating Officer</b>	5,261	36	5,297	5,205	-	(92)	In year savings - Building Control salaries (£80k), Environmental Protection recruitment at a lower grade (£61k). Additional grants - Council Tax grant from government (£60k), Support for Domestic Abuse and Homes for Ukraine (£77k). Additional costs Housing Benefit subsidy shortfall (£264k) and other miscellaneous additional costs across several cost centres.
<b>Economic Development</b>	206	-	206	210	-	4	
<b>Housing Strategy</b>	196	-	196	200	-	4	
<b>Corporate Leadership</b>	1,289	-	1,289	1,229	-	(60)	Staff vacancies
<b>Chief Planning Officer</b>	967	128	1,095	882	-	(213)	Planning Policy salary savings (£36k), Savings on agency staff (£169k) reduced income is offset by the pre-application service income.
<b>Strategic Insight and Delivery</b>	98	16	114	358	-	244	Reduced Markets income (£49k) & Car Parking permits income (£60k), Strategic Insight and Delivery overspends (mainly salary) (£145k)
<b>Operations</b>	5,108	-	5,108	5,250	-	142	Street Cleaning loss of Places for People income £71k, Green Spaces £41k (commuted sums expected to offset this overspend), offset by recharge of CCTV project costs. Less income from 2nd green bins £32k.
<b>Leisure and Health</b>	266	-	266	430	-	164	
<b>ICT</b>	2,622	-	2,622	2,725	(44)	59	Lower recharges to partners (£60k)
<b>Total</b>	<b>24,113</b>	<b>231</b>	<b>24,344</b>	<b>23,828</b>	<b>(44)</b>	<b>(560)</b>	

Further analysis of the revenue variance and service commentary are in Appendix 1. This provides the variances by service and where the variances are greater than +/- £10,000 comments have been provided by the budget managers/Head of Services. Where there are adverse variances the budget managers have provided details of the actions they are undertaking and where possible indicated if this will have an ongoing impact on the MTFs.

### 3.3 Capital Programme (Appendix 2 for detail)

The approved gross capital programme for 2023/24 is £29.392m, this total included budgeted rephasings of £15.898m. At the year end a total of £18.342m was rephased, an additional rephase of £2.444m. The total current budget is £32.580m including growth of £0.744m (£29.392m+£2.444m+£0.744m).

The capital programme is forecast to have an in-year underspend of £12.146m, as detailed in the table below. As part of the MTFs, the capital expenditure programme will be reviewed in line with future needs and available funding.

The table below shows the total variances for each Service and the main reasons for the variances.

Head of Service	Existing and New Bids	Budget Rephase (1)	Original Budget	Year End Rephase (2)	Net Rephase (3)	Growth	Current Budget	YTD Actual	Forecast	Over/(Under) Spend	Comment on Variances
	£000	£000	£000	£000		£000	£000	£000	£000	£000	
Finance and Corporate Resources	1,398	452	1,850	1,033	581	0	2,431	186	3,009	579	Additional expenditure on Fareham to enhance tenant appeal. Will be funded from savings in other budgets
Community Services	1,650	39	1,689	0	(39)	0	1,650	411	1,551	(99)	The DFG approval process takes longer than previously
Chief Planning Officer	3,570	0	3,570	0	0	0	3,570	0	4,278	708	Additional CIL expenditure funded from the CIL reserve
Housing Manager	0	206	206	206	0	0	206	0	744	(206)	Housing Company not going ahead this year
Customer Services	0	0	0	34	34	0	34	0	34	0	
Leisure and Health	600	12	612	133	121	0	733	57	938	205	The tenders for the pitch replacement at OLSI were higher than estimated.
Operations	1,638	328	1,966	584	256	0	2,222	442	1,705	(516)	Extending of vehicle lives, and more wheeled bin income
Insights and Delivery	43	3,217	3,260	3,661	444	0	3,704	9	2,799	(905)	Hinchingbrooke Country Park scheme delayed as a result of planning permission delays
ICT	498	431	929	403	(28)	0	901	3	720	(181)	Hardware replacement savings.
Place	4,097	11,213	15,310	12,289	1,076	744	17,130	81	4,655	(11,731)	Work on the Market Town Programme to be rephased to 2024/25
<b>Total</b>	<b>13,494</b>	<b>15,898</b>	<b>29,392</b>	<b>18,342</b>	<b>2,444</b>	<b>744</b>	<b>32,580</b>	<b>1,188</b>	<b>20,434</b>	<b>(12,146)</b>	

(1) This is the estimated rephase when the budget is set.  
(2) This is the actual rephase at the year end when all costs are known  
(3) This is the actual rephase less the budget rephase. Original budget + net rephase + growth = Current budget

### 3.4 Council Tax and Business Rates Collection

The Council Tax collection rate at the end of quarter 1 (27.51%) is slightly lower than the previous year (28.73%), due to reprofiling of some instalments; as a result more are due in February and March 2024.

The Business Rates collection rate at the end of quarter 1 (33.01%) is slightly higher than at the end of quarter in the previous year (32.32%).

The number of working age Council Tax Support claimants at the end of quarter 1 was 3,986 which is 140 less than at the end of quarter 1 in 2022/23 (4,126). The number of pensioner council tax support claimants has remained fairly static, 2,867 at the end of quarter 1 2023/24, compared to 2,900 for the same period last year.

## UPDATE ON THE COMMERCIAL INVESTMENT STRATEGY AND INVESTMENT PROPERTY

4.1 The Commercial Investment Strategy (CIS) was approved by Cabinet in September 2015 and the CIS Business Plan in December 2015. The implementation of the CIS is seen as a key means by which the Council can generate income to assist it in meeting the forecast gap in the revenue budget. The CIS supplements the income from the legacy estate of investment properties, held for the purpose of generating revenue income.

4.2 At the end of Quarter 1, the financial projections for the CIS and investment properties are:

<b>CIS Investments</b>	<b>Budget (£'000s)</b>	<b>Forecast Outturn (£'000s)</b>	<b>Variance (£'000s)</b>
<b>Cash Investments</b>			
CCLA Property Fund	(262)	(160)	102
<b>Total Cash Investments</b>	<b>(262)</b>	<b>(160)</b>	<b>102</b>
Property Rental Income	(4,379)	(4,226)	153
MRP	581	581	0
<b>Total Property Investments</b>	<b>(3,798)</b>	<b>(3,645)</b>	<b>153</b>
<b>TOTAL</b>	<b>(4,060)</b>	<b>(3,805)</b>	<b>255</b>
<b>CIS Borrowing (Maturity Loans)</b>			
<b>Property</b>	<b>Lender</b>	<b>Amount</b>	<b>% (Fixed)</b>
Wakefield	PWLB	£11,963,000	2.18
Fareham	PWLB	£5,000,000	2.78
Rowley Centre	PWLB	£7,292,000	2.49

#### 4.3 Market Update and Activity

The commercial property market faces challenges at present with uncertainty created by cost of living pressures and interest rate rises. Demand remains for smaller units, particularly in the industrial and storage sectors, but occupiers seem reluctant to commit to larger spaces, with the impression being that many are waiting to see what impact interest rate rises will have on the wider economy, as well as their direct influence on the ability to finance expansion.

New investment activity by the Council remains temporarily paused due to high rates of borrowing and budget constraints. We do however remain alert to the availability of any opportunities that may add extra value to the current portfolio, or that could potentially generate exceptional returns, sufficient to justify borrowing.

The CIS portfolio provides a small but diverse portfolio of good quality property investments. Unfortunately, reflective of market conditions for larger units, it is suffering from a number of vacancies at present.

The two Fareham office properties were vacated in the third quarter of last year and are now undergoing refurbishment and reconfiguration to give an improved specification and greater scope for future letting, enabling them to be let either on a floor by floor basis, or as whole buildings.

2 Stonehill, Huntingdon was vacated in February and, although our agents report a healthy number of enquiries, interested parties seem to be holding back from making offers at the present time.

21a Little End Road, Eaton Socon has now been vacant for a year; it is suitable for immediate occupation but, although local demand had initially justified an optimistic asking price enquiries have dwindled and a price reduction has been necessary.

The business restructure of the Prezzo restaurant chain has resulted in a recent second vacant restaurant at Rowley Arts Centre, St Neots. Both have unfortunately suffered from recent anti-social behaviour, although action has been taken to try to prevent re-occurrence. There had been encouraging interest in the former Frankie & Benny's unit but unfortunately the prospective tenant has now put his acquisition plans on hold. It is reassuring that the gym there continues to thrive and both Pizza Express and Cineworld remain open and trading.

The table below show the activity in relation to leases, rents and vacant properties in the last quarter and a forecast for the next quarter.

Property Statistics	Quarter 1 Actual	Quarter 2 Forecast
Number of lettable units held by HDC	186	186
No. let on typical commercial leases	128	128
No. let on long leases	24	24
No. let on non commercial leases	17	17
No. vacant	15	17
Vacant properties by town;		
• Huntingdon	8	8
• St Neots	5	7
• St Ives	0	0
• Fareham	2	2
Property Activity	Quarter 1 Actual	Quarter 2 Forecast
Number of leases renewed	0	0
Number of rents reviewed	5	1
Number of new lettings	2	2
Number of units under offer	2	1
Number of leases ended	2	0
Financial changes * **	Quarter 1 Actual	Quarter 2 Forecast
Increases/(decrease) in annual rents receivable due to lease renewals	£0	£0
Increases/(decrease) in annual rents receivable due to rent reviews	£11,457	£8,666
Increase in annual rents receivable due to new leases	£53,299	£17,500
Decrease in annual rents receivable due to vacations & insolvencies	-£87,140	£0

\*Although the transaction completed this quarter some reviews and renewals may be backdated so effective from previous quarters.

\*\* Where stepped rents are agreed the figures quoted relate to the average rent.

## 5 COMMENTS OF OVERVIEW & SCRUTINY

*Overview and Scrutiny comments to be added here.*

## **6. RECOMMENDATIONS**

- Cabinet is invited to consider and comment on the revenue financial performance at the end of June 2023, as detailed in Appendix 1 and summarised in paragraph 3.2.
- Cabinet is invited to consider and comment on the capital financial performance at the end of June 2023, as detailed in Appendix 2 and summarised in paragraph 3.3.
- Cabinet is invited to consider and comment on the prudential and treasury management indicators at the end of June 2023, as detailed in Appendix 3.

## **7. LIST OF APPENDICES INCLUDED**


Appendix 1 – Financial Performance Monitoring Q1 Revenue

Appendix 2 – Financial Performance Monitoring Q1 Capital

Appendix 3 – Prudential and Treasury Indicators for Q1

## **CONTACT OFFICER**

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